

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7105**

**BILL NUMBER:** HB 1154

**NOTE PREPARED:** Jan 2, 2005

**BILL AMENDED:**

**SUBJECT:** Wayne County Food and Beverage Tax.

**FIRST AUTHOR:** Rep. Saunders

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** ☒ **GENERAL**  
☐ **DEDICATED**  
☐ **FEDERAL**

**IMPACT:** State & Local

LOCAL IMPACT	CY 2005	CY 2006	CY 2007
Local Revenues		1,016,000	1,163,000
Local Expenditures			
Net Increase (Decrease)		1,016,000	1,163,000

**Summary of Legislation:** The bill authorizes Wayne County to adopt a food and beverage tax. The bill provides that the tax may be used to: (1) encourage conventions, visitors, and tourism; (2) encourage and promote economic development; or (3) pay debt service for a tourism or economic development project.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** Current cost for the Department of State Revenue to administrate, audit, and collect the food and beverage tax is approximately \$0.51 per \$100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The bill gives the fiscal body of Wayne County the option to adopt an ordinance to impose the food and beverage tax up to a 1% rate. Upon adoption of an ordinance, the fiscal body

would be required to send a certified copy of the ordinance to the Department of State Revenue.

Payments received from the collection of the tax would be used to finance, construct, renovate, improve, or equip a jail or juvenile detention facility. The county would receive monthly payments of the food and beverage tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from the food and beverage tax received by the county from the Auditor of State would be placed by the county auditor into the County Food and Beverage Tax Revenue Fund (FBTRF).

Additionally, the bill would establish a seven-member food and beverage tax committee to make recommendations to the county fiscal body on the use of revenue in the FBTRF. The terms of the committee members would be staggered and last four years. Unless it were designated by ordinance that the FBTRF would provide a source of compensation for the committee members or the members were to serve without pay, the county fiscal body would likely have to set aside an appropriation or allocation from another county fund to fix compensation.

**Explanation of Local Revenues:** *Summary:* The imposition of the Wayne County Food and Beverage Tax is estimated to generate **\$1,016,000** in CY 2006, and **\$1,163,000** in CY 2007, assuming an ordinance date by September of 2005. The tax estimate is at the rate of 1%. The food and beverage tax is an excise tax on food and beverages prepared and served for sale in the local unit imposing the tax. The tax would be collected and remitted in the same manner as the state Sales Tax.

*Background:* According to the most recent U.S. Census data, total food and beverage sales in Wayne County for CY 1997 were \$73,606,000. Based on this amount, the 1% food and beverage tax would have generated an additional \$736,060 in CY 1997, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the U.S. Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$736,060 projection is added to establish a CY 1997 baseline of \$810,000 for Wayne County.

The average growth rate of food and beverage-related total sales in Wayne County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 4.2%. This rate was used to project sales of food and beverages through CY 2000. Given recent economic performance, the baseline is grown using state Sales Tax growth rates for FY 2001 (1%), FY 2002 (2%), and FY 2003 (2%) to reach a base for FY 2004. The base amount for CY 2004 is \$1,010,591. Projected years from CY 2005-2007 were grown using the state Sales Tax estimated growth rates from the December 14, 2004, state revenue forecast: 5% in FY 2004, 4.6% in FY 2005, and 4.9% in FY 2006. The growth rate for FY 2006 is flat-lined at 4.9% until additional forecast information is available. These rates were applied to the CY 2004 base of \$1,010,591 M to project revenue from CY 2005 to CY 2007. The CY 2005 projected base is \$1,057,078.

The effective date of the bill is July 1, 2005. The bill would allow adoption between January 1 and September 1 in a given year. The tax would be effective January 1 of the year immediately following adoption. As a result, Wayne County could begin receiving revenue from food and beverage sales by February 2006 at the earliest. A one-month lag is applied from the effective date of an ordinance to account for the remittance of the first month's revenue (January pay February). The actual expected impact for CY 2006 would be eleven-twelfths of the annual projection, or \$1,016,000 (11/12ths of the CY 2006 estimate of \$1,109,000). A full-year collection would begin in CY 2007.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Wayne County.

**Information Sources:** U.S. Census Bureau; Bob Walls, Department of State Revenue.

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